

44RD ANNUAL GENERAL MEETING

Thursday, 23rd August, 2005
at 11.30 A.M
Duggirala Mandal, 522 330
Guntur Dist
Andhra Pradesh
INDIA

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**Associated Coffee Merchants (International) Limited (ACMIL), UK
(Subsidiary Company)**

- Company Information
- Directors' Report
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- Cash Flow Statement
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Company Information

Board of Directors:

Late Mr. M S Narayanan IRS (Retd.), Chairman (till 19.06.2004)
 Mr. B N Jayasimha IAS (Retd.),
 Mr. I J Rao IRS (Retd.)
 Mr. N Balakrishna Iyer
 Mr. Vipin K Singal
 Mr. Jonathan T Feuer
 Mr. Ian Breminer
 Mr. Gerard Sierro
 Mrs. C Shantha Prasad (till 18.07.2005)
 Mr. C Srishant (Executive Director w.e.f. 18.07.2005)
 Mr. C Rajendra Prasad, Chairman & Managing Director

Auditors

M. Anandam & Co.,
 7 'A', Surya Towers
 Sardar Patel Road
 Secunderabad – 500 003.

Internal Auditors

Ramesh & Co.,
 H.No: 6-3-661/B/1
 Sangeeth Nagar,
 Somajiguda
 Hyderabad – 500 082.

Company Secretary

Mrs. R. Ramalaxmi, ACS

Bankers

State Bank of India
 Canara Bank
 ICICI Bank Ltd.
 Exim Bank
 Rabo Bank

Registered office & Factory:

Duggirala Mandal, Guntur Dist - 522 330
 Andhra Pradesh, India
 Ph:08644 277294 Fax:08644 277295
 www.cclproductsindia.com

**Registrars & Share Transfer Agent
 (Physical & Demat)**

Bigshare Services Pvt Ltd
 G-10, Left Wing, Amrutha Ville,
 Somajiguda, Hyderabad 500 082
 Ph:040 23374967, Telefax : 040 23370295

Board Committees
Audit Committee

Mr. B N Jayasimha -Chairman
 Mr. I J Rao
 Mr. N Balakrishna Iyer
 Mrs. C Shantha Prasad (till 18.07.2005)

Shareholders ' / Investors ' Grievance Committee

Mr. I J Rao - Chairman
 Mr. B N Jayasimha
 Mr. N Balakrishna Iyer
 Mr. C Rajendra Prasad
 Mrs. C Shantha Prasad (till 18.07.2005)

Remuneration Committee

Mr. B N Jayasimha
 Mr. N Balakrishna Iyer
 Mr. C Rajendra Prasad



Notice

Notice is hereby given that the 44th Annual General Meeting of the Company will be held on Tuesday, the 23rd day of August, 2005 at 11:30 AM at the Registered office of the Company at Duggirala Mandal, Guntur District - 522 330, Andhra Pradesh to transact the following items of business:

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st of March, 2005 and the Balance Sheet as on that date together with the Report of the Board of Directors and the Auditors thereon.
2. To declare dividend for the financial year 2004-05.
3. To appoint a director in place of Mr. I J Rao, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. N Balakrishna Iyer, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business:

To consider and if thought fit, to pass with or without modification(s) the following Resolutions:

6. As an Ordinary Resolution:

"RESOLVED that Mr. C Srishant be and is hereby appointed as Director of the Company not liable to retire by rotation."

7. As an Ordinary Resolution:

"RESOLVED that Mr. Gerard Sierro be and is hereby appointed as Director of the Company liable to retire by rotation."

8. As a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sec.269, 309 read with schedule XIII of the Companies Act, 1956, consent of the members be and is hereby accorded for appointment of Mr. C. Srishant as Executive Director for a period of Five (5) years w.e.f. 18th July, 2005 on the following terms."

- | | |
|---------------|--|
| a) Salary | : Rs. 25,000/- per month. |
| b) Commission | : Remuneration by way of commission will be paid in addition to salary but the aggregate amount of salary and commission shall not exceed 1% of net profit of the company calculated in terms of Section 349 & 350 of Companies Act, 1956. |

By order of the Board of Directors
Sd/-

R. Ramalaxmi
Company Secretary

Place: Hyderabad
Date :18.07.2005

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the Company.
2. ***PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING (ON OR BEFORE 11:30 AM OF 21.08.2005) AT THE REGISTERED OFFICE OF THE COMPANY.***
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special business items is annexed hereto.
4. The Register of Members and Share Transfer Books will be closed from 19.08.2005 to 23.08.2005 (both days inclusive).
5. The dividend that may be declared by the members will be paid:
 - ◆ In respect of shares in physical form - to those members whose names appear on the Register of Members as on 19.08.2005
 - ◆ In respect of shares in electronic form - to the beneficial owners of the shares as on 18.08.2005
6. The details of the directors retiring by rotation and eligible for re-appointment are given below, as per Clause 49 sub Clause VI (A) of the Listing Agreement entered into with the Stock Exchanges.

**Details of Directors seeking appointment / retiring by rotation and seeking re-appointment
(In pursuance of Clause 49 of the Listing Agreement)**

1. Mr. I J Rao

Mr. I. J. Rao is a Gold Medalist in M.A. Economics from Andhra University. He was a lecturer in college and thereafter joined Indian Customs & Excise service in 1955. He was a collector of Central Excise Guntur, Madras & Kanpur. He also served as collector of customs in Kolkata. He joined Customs, Excise, Gold (Control) Appellate Tribunal (CEGAT), Delhi in March 1983 and retired in 1991 as Vice-President of the Tribunal.

He has authored hundreds of short stories, several Novels, Radio plays and was awarded with Prathiba Puraskaram in 1998 for short story/Novel by Potti Sriramulu Telugu University, Hyderabad.

His articles on finance, revenue and taxation were published in the Statesman (Kolkata), Economic Times (Bombay), Business Standard (Kolkata), Excise Law Times (Delhi) etc.

He is Chairman of the Shareholders/Investors Grievance Committee and a member of the Audit Committee of the Company.

2. Mr. N Balakrishna Iyer

Mr. N Balakrishna Iyer holds various degrees such as M.A., LLB, CAIIB. He has a rich experience in Banking and other related fields. He joined State Bank of India as a probationary officer in August 1958 and rose through the ladder holding a variety of assignments (including a 5 year stint in London). The last assignments were Principal, State Bank Staff College (May 1989 – January 1992) Hyderabad Circle, Chief General Manager (January 1992 – September 1993) and Managing Director, State Bank of Hyderabad (September 1993- July 1995)

He is a member of the Audit Committee, Shareholder's Grievance Committee and the Remuneration Committee of the Company.

3. Mr. C Srishant

Mr. C Srishant is a B.A., B.L. (Hons.) graduate from NALSAR, University of Law and has a Diploma in Information Technology Laws from Asian School of Cyber Laws. He is a Gold medallist in Corporate Law at NALSAR, University of Law. He was also A.P. State topper and gold medallist in Mathematics (Class XII – I.S.C. Syllabus).

Mr. Srishant has successfully completed several placements in the course of his studies, including:

1. The National Human Rights Commission, New Delhi.
2. The Andhra Pradesh Legal Services, Hyderabad
3. A Secretarial firm dealing exclusively with matters relating to Company Law and Shares.
4. An NGO dealing with Child Labour.

Mr. Srishant has also done extensive research on the following topics:

- ❖ Mergers, Acquisitions and Code Sharing in the Airline Industry
- ❖ Mergers and Takeovers
- ❖ Black Economy in India
- ❖ Allotment of Shares
- ❖ Majority Powers and Minority Rights of Shareholders
- ❖ Cyber Crimes and the Evidentiary value of Electronic Evidence
- ❖ Convention on Biological Diversity and its relation to Trade Related Intellectual Property Rights

Publication:

"The Dynamics of Corporate Holding: Economic Power and Legal Accountability", in 'International Conference on Law and Economic Change', organized by NALSAR in November 2001.

4. Mr. Gerard Sierro

Mr. Gerard Sierro holds Engineering Degree from Germany. Mr. Sierro is one of the most experienced food processing Engineer in the world. He has rich experience for more than forty years in setting up instant coffee and food processing projects in several countries like Brazil, Germany, Indonesia, Portugal, Singapore, Switzerland etc..

He was also a Director of your Company from 1993 to 2001.

Explanatory Statement (Pursuant to Section 173(2) of the Companies Act, 1956)

Item No: 6 & 7

Mr. C Srishant, Mr. Gerard Sierro were appointed as Additional Directors of the Company by the Board with effect from 18th July, 2005. In terms of Section 260 of the Companies Act, 1956, Mr. C Srishant and Mr. Gerard Sierro hold office till the date of the ensuing Annual General Meeting and are eligible for re-appointment. Notices under Section 257 of the Companies Act, 1956 have been received from members signifying their intention to propose the candidature of Mr. C Srishant and Mr. Gerard Sierro as Directors of the Company.

Mr. C Rajendra Prasad is interested in the Resolution set out in Item No. 6. No other Director is interested in these Resolutions.

Item No: 8

Mr. C Srishant has completed his Law Graduation from NALSAR, University of Law. Keeping in view, the ongoing expansion plans the Board of Directors felt the need of having another Whole-time Director in the management of the Company to co-ordinate and officiate with Chairman & Managing Director on a full time basis.

Hence, the Board in their meeting held on 18.07.2005 appointed Mr. C Srishant as Executive Director of the Company and the appointment is subject to the approval of the members in General Meeting.

None of the Directors except Mr. C Rajendra Prasad is interested in passing this resolution.

By order of the Board of Directors

Place: Hyderabad
Date :18.07.2005

Sd/-
R. Ramalaxmi
Company Secretary



Directors' Report:

Dear Members,

Your directors take great pleasure in bringing you this report, for the financial year 2004-05.
(Rs. in Lakhs)

Financial Performance :	2004-05	2003-04
Gross Income	11091.84	7622.20
Gross Profit (before Interest, Depreciation & Tax)	3358.12	2996.32
Less: Interest	94.73	84.09
Depreciation and other write offs	217.26	194.18
Provision for Taxation	13.00	10.00
Net Profit	3033.13	2708.03
Profit b/f	374.45	466.55
Balance available for appropriation	3407.58	3174.59
Provision for dividend	399.08	266.05
Provision for dividend tax	52.16	34.09
Transfer to General Reserve	2500.00	2500.00
Net Profit c/f to Balance sheet	456.34	374.44

Operations:

Your company has sold 5893 Mt of Instant Coffee and achieved a record turnover of Rs. 11091.84 lakhs for the year ended 31st March, 2005. The Company achieved a growth of 45% when compared to the last year's turnover of Rs.7622.20 lakhs.

The net profit of the Company increased to Rs.3033.13 lakhs compared to Rs.2708.03 lakhs for the previous year which included the excess provision of Rs.747.22 lakhs for indirect taxes written back, thus recording a real increase of 55%.

The Company is happy to inform you that in accordance with the provisions of Foreign Trade Policy 2004-09, the Ministry of Commerce & Industry, Government of India accorded your company with status of Two Star Export House on achieving a turnover of over Rs.100 crores.

Dividend:

Your directors are pleased to recommend a dividend of Rs. 3/- per equity share of Rs.10/- each for the financial year 2004-05. The dividend, if approved at the ensuing Annual General Meeting, will absorb an amount of Rs.399.08 Lakhs of the distributable profits of the Company and will be paid to those members whose names appear in the Register of Members of the Company on 19.08.2005.

Expansion:

The new Freeze Dried Coffee plant erection is going on as per schedule and the production is expected to commence by October / November 2005. Simultaneously expansion of Spray Dried Coffee is also been taken up during the year.

Employees' Welfare:

Your company continues to place maximum focus on the welfare of its employees.

Service to the Community:

Your company has responded to social welfare causes and philanthropic activities in the areas of education, sports, cultural, and natural calamities. Your company donated Rs. 41.83 lakhs for the above said causes during the year under review.

Fixed Deposits:

Your company has not accepted any fixed deposits and as such no amount of principal or interest was outstanding as on the date of Balance sheet.

Directorate:

Mr. C Srishant joined the Board as an Additional Director and was appointed as Executive Director of the Company with effect from 18.07.2005.

Mr. Gerard Sierro was appointed as an Additional Director of the Company with effect from 18.07.2005.

In pursuance of Section 260 of the Companies Act, 1956 read with Article No. 81 (2) of the Articles of Association of the Company Mr. C Srishant and Mr. Gerard Sierro hold office up to the ensuing Annual General Meeting. The Company has received Notices from members in terms of Section 257 of the Companies Act, 1956 signifying their intention to propose their appointment as Directors at the forthcoming annual General Meeting.

Mrs. C Shantha Prasad resigned from the directorship of the Company with effect from 18.07.2005. Your Directors wish to place on record their sincere appreciation of the valuable contribution made by Mrs. C Shantha Prasad during her tenure as a Director of the Company.

Mr. I J Rao and Mr. N Balakrishna Iyer retire by rotation and being eligible, offer themselves for re-appointment.

Directors' Responsibility Statement:

In terms of Section 217 (2AA) of the Companies Act, 1956, your directors confirm the following with regard to Annual Accounts, Accounting Policies, maintenance of accounting records etc. -

- i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2004-05 and of the profit or loss of the company for that period;
- iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv. That the directors had prepared the annual accounts on a going concern basis.

Management Discussion & Analysis

Pursuant to the provisions of Clause 49 of the Listing Agreement, a report on Management Discussion & Analysis is set out in the Annexure-I, as an addition to this report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

A statement of particulars of the conservation of energy, technology absorption and foreign exchange earnings and outgoings is given as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, is enclosed as Annexure-II to this report.

Statutory Auditors:

M/s. M. Anandam & Co., Chartered Accountants, Secunderabad, the auditors of the company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Internal Auditors:

Your Board of Directors has appointed M/s. Ramesh & Co., Chartered Accountants, Hyderabad as Internal Auditors. The Internal Auditors are submitting their reports on quarterly basis.

Particulars of Employees:

No employee of the company is in receipt of Rs.24 lakhs or more per annum or Rs. 2 lakhs per month as remuneration for any part of the financial year. Hence the provisions of Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 are not applicable.

Corporate Governance:

Pursuant to the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the report of the Code of Corporate Governance is enclosed forming part of the Annual Report. The certificate dated 18.07.2005 from the Auditors of your company regarding compliance of conditions of corporate governance is annexed to the report.

Acknowledgements:

The directors of your company express their gratitude to the bankers, government agencies, suppliers, clients, collaborators and the shareholders of the company for their continuous support.

Further, your directors are glad to acknowledge their sincere gratitude to all the employees of the company who put in hard work and are dedicated to the growth, development and prosperity of the company.

On behalf of the Board

Sd/-

C. Rajendra Prasad
Chairman & Managing Director

Place: Hyderabad
Date : 18.07.2005

Annexure-I**Management Discussion and Analysis Report:****a) Industry structure and developments**

India is known for the World's best shade – grown 'mild' coffees.

Though India is consistently producing and exporting a remarkable variety of high quality coffees for over 150 years, the consumption of coffee in India is comparatively less. So, major part of the domestic production is exported and last year exports were nearly 2,25,000 tonnes of coffee.

In India coffee is grown mainly in the states of Karnataka, Tamil Nadu, Kerala and North – Eastern states. The industry provides employment to large number of people in these states and is one of the major foreign exchange earners.

Indian coffee is imported by many countries, including Italy, Germany, the Russian Federation, Spain, Belgium, Slovenia, US, Japan, Greece, Netherlands and France. Last year over 50% of Indian coffee was exported to Europe, 10% each to Gulf and Japanese markets and the balance was to smaller markets.

Your company exported Instant Coffee to all the major coffee consuming countries of the world in the financial year under review.

b) Opportunities and Threats

The new opportunities that have emerged in the industry are the pre-mix manufacturing segment and catering to Border Security Force (BSF) / (Indian Railway Catering and Tourism Corporation Limited (IRCTC). Though the industry is facing threat from the frequent fluctuations in the prices of green coffee and competition from MNC's – your Company with consistent quality-oriented product, held its position in the coffee markets, both direct and indirect.

Thus your Company is penetrating the pre-mix manufacturing segment and taking steps towards increasing the market base by catering to BSF / IRCTC and other Government institutions.

c) Segment – wise or product wise performance

Your company is in the manufacture of Powered and Granulated Instant Coffee, Agglomerated Coffee, and Freeze Dried Coffee under various brand names like Continental Speciale, Supreme Instant, Continental Choice and many other brand names of importers' choice in case of exports. The production of your Company is sold in the form of Trade sales, Institutional sales and Bulk sales. All the brand names introduced in the international markets are doing well.

d) Outlook

Preparing consistently good coffee is a continuous challenge and your company is taking this challenge in a positive way and trying to assess the strengths and weaknesses and to re-orient its goals and strategies for better future in line with the frequent changes in the international scenario.

It aims at serving good coffee with consistent quality at the most competitive prices and with prompt delivery; as such reputation attracts customers and their loyalty, which results in a successful enterprise. As a step towards this, it aims at improving marketing network and builds a brand name for its products as well as set new standards in coffee production to achieve enhanced customer satisfaction.